

FDIC State Profile

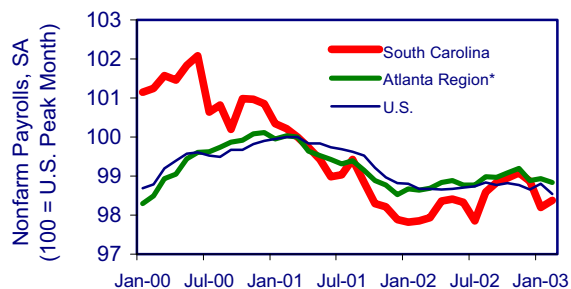
SUMMER 2003

South Carolina

Despite prolonged cuts in manufacturing, the total employment picture showed slight improvement in early 2003.

- Through year-end 2002, losses in manufacturing employment continued in South Carolina, but were offset by growth in the service-producing sectors of the state such as health care and real estate. Employment levels in February 2003 were 2.6 percent below the cyclical peak reached in October 2000, but slightly above year-ago levels, as payrolls have slowly rebounded in early 2003 (see **Chart 1**).
- The state's unemployment rate increased slightly in the year ending February 2003. Jobless rates did improve by at least one percentage point in nine counties across the state during 2002; however, unemployment rates deteriorated sharply in several rural counties such as **Chester** and **Florence** during the same period (see **Map 1**).
- During 2002, the rate of home price appreciation declined moderately in South Carolina's metropolitan areas. This drop has been particularly evident in the **Greenville** and **Sumter** MSAs, which reported the smallest appreciation in the state through year-end 2002. In contrast, home price growth in **Charleston** continues to outpace income growth (see **Chart 2**).
- Prolonged weak tax revenue collections have left the state with an estimated \$1 billion budget deficit for the upcoming 2004 fiscal year. While personal tax revenues exhibited weak growth towards year-end 2002, the state plans to increase cigarette taxes to close the deficit.

Chart 1: Job Losses in South Carolina Have Abated, As Employment Levels Slowly Rebound



*Atlanta Region includes AL, FL, GA, NC, SC, VA, WV.

Source: Bureau of Labor Statistics/Haver Analytics

Map 1: Jobless Rates in South Carolina Show Modest Improvements

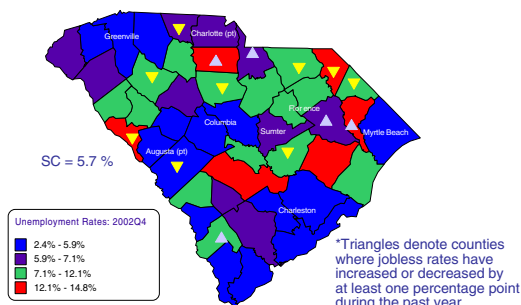
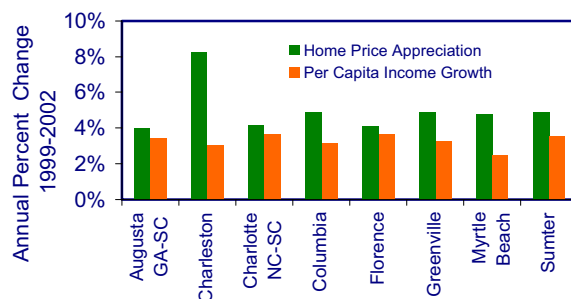


Chart 2: Home Price Growth in the Charleston MSA Has Far Exceeded Income Growth



Source: Office of Federal Housing Enterprise Oversight, Global Insight Inc.

Community banks headquartered in South Carolina continue to report stable conditions despite economic weakness, but credit quality appears to deteriorating.

- Overall performance among community banks¹ headquartered in South Carolina remained stable during 2002. The median return on assets ratio for community banks increased to 1.05 percent, an increase of 10 basis points from one-year earlier, as improved margins offset higher provision expenses. Following a decline during 2001, margins gained 19 basis points to 4.53 percent in 2002, but remain below the 10-year average.
- Despite weak economic conditions, median loan growth was a brisk 15 percent during 2002, suggesting widespread growth throughout the state. While home equity loans increased, the majority of this growth was concentrated in commercial real estate (CRE) loans, including construction, nonresidential, and multifamily. This segment represented 24 percent of assets among community banks headquartered in South Carolina at year-end 2002, up from 19 percent three years earlier. Although loan portfolio earnings were augmented by the shift toward higher-yielding CRE loans, the increased exposure may also have created a heightened level of balance sheet risk among these banks. Rising concentrations of CRE loans are particularly evident among community banks headquartered in the *Greenville-Spartanburg, Myrtle Beach*, and *Charleston* MSAs. At year-end 2002, ten banks in these areas (44 percent of the total) held at least 30 percent of assets in CRE loans. This relatively high level of CRE loan volume could increase the vulnerability of these insured institutions to the effects of rising vacancy rates.² Although asset quality trends remained favorable as of fourth-quarter 2002, rapid rates of loan growth may tend to mask some deterioration in credit quality.
- Community banks headquartered in South Carolina reported deterioration in asset quality during 2002. Median past-due consumer loans rose to 2.32 percent, while past-due residential loans increased to 1.40 percent, as the consumer sector continued to struggle with rising personal bankruptcy filings and weak employment growth. As a result, the median total past-due ratio rose slightly to 1.54 percent from 1.49 percent in 2001. Charge-off levels were modest at 0.25 percent of total loans, a decrease of six basis points from the previous year. Commercial and credit-card loan charge-offs remained the highest loss segments as of year-end 2002. While the business sector appears to be improving, consumer credit quality deterioration could lead to further losses in consumer-related loan segments in early 2003.

¹ Community banks are defined as commercial banks with assets less than \$1 billion, excluding specialty banks and thrifts.

² Office vacancy data were unavailable for these areas.

State Profile

South Carolina at a Glance

General Information	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Institutions (#)	102	103	108	108	107
Total Assets (in thousands)	36,815,343	33,901,036	31,656,872	29,723,765	26,967,749
New Institutions (# < 3 years)	8	14	16	17	19
New Institutions (# < 9 years)	30	30	31	27	23
Capital	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Tier 1 Leverage (median)	9.75	9.89	10.36	10.66	10.50
Asset Quality	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Past-Due and Nonaccrual (median %)	1.85%	2.01%	1.74%	1.37%	1.58%
Past-Due and Nonaccrual >= 5%	14	13	8	4	10
ALLL/Total Loans (median %)	1.20%	1.20%	1.22%	1.21%	1.22%
ALLL/Noncurrent Loans (median multiple)	1.94	1.92	2.07	2.22	2.12
Net Loan Losses/Loans (aggregate)	0.32%	0.29%	0.21%	0.20%	0.23%
Earnings	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Unprofitable Institutions (#)	4	12	11	13	12
Percent Unprofitable	3.92%	11.65%	10.19%	12.04%	11.21%
Return on Assets (median %)	1.03	0.87	0.91	1.03	1.10
25th Percentile	0.74	0.51	0.46	0.62	0.68
Net Interest Margin (median %)	4.38%	4.13%	4.35%	4.31%	4.39%
Yield on Earning Assets (median)	6.51%	7.68%	8.34%	7.82%	8.08%
Cost of Funding Earning Assets (median)	2.25%	3.72%	4.21%	3.58%	3.85%
Provisions to Avg. Assets (median)	0.27%	0.24%	0.22%	0.19%	0.17%
Noninterest Income to Avg. Assets (median)	0.80%	0.83%	0.69%	0.65%	0.66%
Overhead to Avg. Assets (median)	3.09%	3.08%	3.08%	2.99%	3.05%
Liquidity/Sensitivity	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Loans to Deposits (median %)	84.78%	87.07%	83.62%	84.87%	76.97%
Loans to Assets (median %)	68.72%	69.05%	70.18%	67.44%	62.71%
Brokered Deposits (# of Institutions)	17	14	12	11	6
Bro. Deps./Assets (median for above inst.)	5.25%	2.42%	2.38%	2.54%	1.14%
Noncore Funding to Assets (median)	22.96%	21.56%	21.27%	20.70%	17.22%
Core Funding to Assets (median)	65.79%	65.55%	65.87%	66.83%	69.59%
Bank Class	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
State Nonmember	48	49	47	49	51
National	26	25	25	21	20
State Member	3	3	7	7	6
S&L	10	11	12	13	13
Savings Bank	14	14	17	18	17
Mutually Insured	1	1	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	52	8,712,464	50.98%	23.67%	
Greenville-Spartanburg-Anderson SC	23	15,496,685	22.55%	42.09%	
Florence SC	6	447,585	5.88%	1.22%	
Myrtle Beach SC	5	1,996,627	4.90%	5.42%	
Charleston-North Charleston SC	5	2,791,030	4.90%	7.58%	
Columbia SC	4	3,869,371	3.92%	10.51%	
Charlotte-Gastonia-Rock Hill NC-SC	3	346,674	2.94%	0.94%	
Sumter SC	2	2,624,323	1.96%	7.13%	
Augusta-Aiken GA-SC	2	530,584	1.96%	1.44%	